Still looking up ....

Still hungry!

BULLDOG ENERGY INC.

2004 ANNUAL REPORT

CORPORATE PROFILE — Bulldog Energy is a Calgary based junior oil company. Our focus is the exploration, exploitation, and development of hydrocarbon reserves in the Western Canadian Sedimentary Basin. We commenced operations in early 2002 and have assembled a significant portfolio of light crude oil operations in Southeast Saskatchewan.

Bulldog's Class A and Class B common shares are listed for trading on the TSX Exchange under the symbols BDE.A and BDE.B. As of March 17, 2005, Bulldog had 32,275,798 Class A common shares and 372,768 Class B common shares outstanding. Our market capitalization was in excess of $100 million.

ANNUAL MEETING— *Shareholders are encouraged to attend the Company's Annual General Meeting which will be held at 2:30 PM on Tuesday, June 7, 2005 in the Cardium Room of the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta. If unable to attend the meeting, shareholders are requested to complete and return the Proxy Form to CIBC Mellon Trust Company of Canada at their earliest convenience.*

HIGHLIGHTS

Year ended December 31	**2004**	2003	Change
FINANCIAL *(000s except per share)*			
Revenues	**$ 20,557**	$ 7,584	171%
Cash flow	**$ 11,784**	$ 3,594	228%
Per share – basic	**$ 0.37**	$ 0.19	95%
Per share – diluted	**$ 0.36**	$ 0.19	89%
Net income	**$ 3,831**	$ 954	302%
Per share – basic & diluted	**$ 0.12**	$ 0.05	140%
Net capital expenditures	**$ 30,607**	$ 8,021	282%
Indebtedness	**$ 7,274**	$ 4,473	63%
Shareholders' equity	**$ 31,277**	$ 10,337	203%
Common shares outstanding			
Class A	**32,206**	18,187	77%
Class B	**373**	373	–
OPERATIONAL *(units as noted)*			
Average daily production			
Oil (barrels/day)	**1,067**	365	192%
Natural gas (mcf/day)	**920**	1,007	(9)%
Combined (BOE/day)	**1,220**	533	129%
Average price realizations			
Oil/barrel	**$ 46.57**	$ 37.52	24%
Natural gas/mcf	**$ 7.07**	$ 7.01	1%
Combined/BOE	**$ 46.04**	$ 38.96	18%
Proven and probable reserves			
Oil (barrels)	**3,814,000**	1,318,000	189%
Natural gas (mcf)	**463,000***	2,795,000	n.a
Combined (BOE)	**3,891,000**	1,784,000	118%
Undeveloped land (net acres)	**31,762**	25,184	26%
Wells drilled (net)	**15.7**	7.7	104%

* *After Rosevear natural gas property sale effective at the end of 2004.*

To Our Shareholders

Over our first three years of operations, Bulldog has grown shareholder value significantly. Our initial equity base of $5 million has been supplemented by an additional $26 million of equity financings. This $31 million equity base has more than tripled to a market capitalization in excess of $100 million as of mid-March 2005. We are very pleased with our success to date and welcome the challenge of continuing to build shareholder value.

2004 – A BREAK-OUT YEAR

In this our third year of operations, we achieved significant operational successes which were recognized in the market place through increases in our share price and expanded liquidity.

- Bulldog recorded 100% success in its oil drilling program – 17 gross oil wells (13.7 net). We also drilled two shut-in natural gas wells.
- We completed an acquisition in February 2004 that nearly doubled our size at the time and significantly expanded our drilling opportunities.
- Our reserves increased substantially even after recognizing the year's production and the sale of our Rosevear property at the end of the year – proven reserves were up 93% to 2.5 million BOE while proven and probable reserves more than doubled to 3.9 million BOE.
- Production volumes averaged 1,220 BOE/day more than doubling the 2003 average of 533 BOE/day.
- Our 2004 cash costs – royalties, operating costs, general & administrative, and interest – per BOE of production declined 4% versus the prior year reflecting the efficiencies of a larger scale of operations.

- Our 2004 capital efficiency – as measured by our finding, development and acquisition costs per BOE – declined primarily due to competitive pressures. Nevertheless our recycle ratio, based upon proved and probable reserve additions excluding revisions, improved to 1.7 times demonstrating improved profitability.
- Cash flow increased 228% to $11.8 million due to the combination of higher production volumes and the 29% increase in our average oil price; cash flow per share increased 89% to $0.36/share.
- Net income increased 302% demonstrating that our operational successes flowed through to the bottom line.
- To finance our growth, we raised a total of $17.0 million in two equity issues and expanded our authorized credit facilities to $14.5 million.
- At year end, our financial position was very strong with total indebtedness of $7.3 million equal to five months of projected cash flow.
- Bulldog's share trading expanded twenty fold to average 193,000 shares/day while the share price is up three times since mid-2004 to a current level of approximately $3.00/share. Analyst coverage expanded to seven brokerage firms.

The past year was very gratifying for all of us at Bulldog. Our past successes, current financial strength, and dedicated team of employees place us in an excellent position to achieve greater success in 2005.

To Our Shareholders

CARLYLE/MANOR PROPERTY – A LARGE LIGHT OIL ACCUMULATION

Our Carlyle/Manor property, which we own 100%, is a major reservoir of 34 degree API crude oil. In 2004, we drilled eight horizontal wells resulting in three new pool discoveries, and five pool extensions for a 100% success rate. To accommodate our increased fluid production, we expanded our existing Carlyle facilities to handle 3,850 bbls/day of oil.

The Carlyle/Manor area will be a major focus for Bulldog in 2005. We have extensive 3-D seismic data coverage over the property having shot two programs in 2004 totaling 20.7 square kilometers. Two additional programs of 5.2 and 11 square kilometers were shot in January 2005. We plan to drill fourteen wells of which five are exploratory tests. We will continue to structure our drilling program in this area to target a steady, continuous increase in production and to expand our inventory of development locations by drilling step-out/exploration wells. In addition to developing our primary zone, we intend to evaluate a second zone with horizontal wells which was successfully tested in a vertical well in January 2005.

STRONG FINANCIAL POSITION

On January 12, 2005, we closed the sale of our Rosevear natural gas property for cash consideration of $6.3 million. The transaction is reflected in the 2004 year-end financial statements. Rosevear was Bulldog's initial project which was developed through farm-ins, successful drilling and strategic property acquisitions. The sale price and cash flow from the property almost doubled the total project costs.

Bulldog commences 2005 with a strong financial position compared to our industry peers. Our total indebtedness at December 31, 2004 was $7.3 million representing five months of projected cash flows. On the equity side of the ledger, our current market capitalization presently exceeds $100 million. This strong financial position, together with significantly higher cash flows, has enabled Bulldog to plan an aggressive $22 million capital expenditure program for 2005. We will also actively pursue corporate and property acquisition opportunities where we see a strong strategic fit with our business plan.

Bulldog is in a strong financial position. This financial strength, together with significantly higher cash flows, has enabled Bulldog to plan an aggressive $22 million capital expenditure program for 2005.

EXPANDING SHARE PRICE AND LIQUIDITY

Dundee Securities Corporation and Northern Securities Inc. have joined Acumen Capital Partners, Canaccord Capital, FirstEnergy Capital Corp., Research Capital and Tristone Capital with research coverage on Bulldog. Their reports can be accessed through these institutions or our website at www.bulldogenergy.ca. It is gratifying to receive increased recognition of our operational successes from these market intermediaries.

This increased recognition has translated into sharply higher trading volumes and increased share price. Average trading volumes in 2004 were 20 times higher than in the prior year and this expanded liquidity has continued into 2005. Our share price started 2004 on a positive note but slipped in the summer months to a low of $0.80/share. Since then it has rebounded very nicely to a current level of approximately $3.00/share.

To Our Shareholders

2005 – A PROMISING YEAR

We anticipate drilling 24 wells in 2005 with 21 of the wells to be drilled at 90 to 100% working interest on our Carlyle/Manor and Wauchope light oil properties in Southeast Saskatchewan. To kick start the program, we contracted for two rigs in the first quarter and will have eight wells drilled by March 31st. An internal review of Bulldog's prospects has identified five areas, outside of our current drilling focus lands, where we wish to shoot 3-D seismic. Our exploration efforts continue to develop more internally generated drilling locations.

Our guidance remains unchanged from our January 12, 2005 press release with 2005 production volumes expected to average 1,850 BOE/day (100% oil) representing a 50% increase from the 1,220 BOE/day (88% oil) average for 2004. We have provided full guidance and a cash flow sensitivity table on page 24 of this report. Bulldog's production as of mid-March 2005 is averaging approximately 1,600 bbls/day of light oil; we are on target to meet our guidance. On the pricing front, should current benchmark oil prices prevail our cash flow will substantially exceed our budget which was based upon a WTI US$40.00/barrel assumption.

We are fortunate to have a group of highly capable people working for Bulldog. Our company's management and technical team encompasses the disciplines of geology, geophysics, engineering, land, corporate finance and financial reporting. On average, each member of our staff has over 20 years of oil and natural gas industry experience. The focus, energy, ability and "can-do" attitude of the Bulldog team, combined with excellent drilling opportunities and financial resources, has positioned our company for exciting growth in 2005.

The focus, energy, ability and "can-do" attitude of the Bulldog team, combined with excellent drilling opportunities and financial resources, has positioned our company for exciting growth in 2005.

We wish to thank our active board of directors for their perspective and guidance. It has been very important to Bulldog's development.

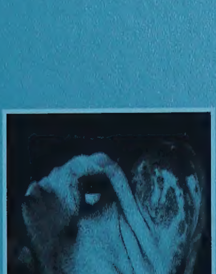
Our shareholders have shown their support in 2004. We will continue to strive to retain and increase that support as we move forward.

Ken McKay

Ken McKay
President and Chief Executive Officer

March 17, 2005

Operations



Operational Reports

Bulldog has established Southeast Saskatchewan as its core area of operations. This region has been key to our efforts to establish the necessary critical mass to secure our status as a strong competitor in our industry. We now have a base of undeveloped lands, reserves, production and cash flow sufficient to enable us to continue to grow our business.

In 2003, the Canadian Securities Administrators adopted National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities. These standards require certain information to be filed on SEDAR (System for Electronic Document Analysis and Retrieval) and are intended to ensure that all public oil and natural gas companies disclose similar information prepared on the same basis. Bulldog has filed the required Form NI 51-101F1 as part of its Annual Information Form (AIF) which is available on both the SEDAR website (www.sedar.com) and Bulldog's website (www.bulldogenergy.ca). As this filing is very comprehensive, we have extracted certain information with respect to our operations usually reported by our industry in annual reports and present this information in the following sections. All such information is consistent with the Form NI - 51-101F1 filing.

Our industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis (BOE) whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved measurement of results and comparisons with other industry participants. In several sections that follow Bulldog has used the 6:1 BOE measure which is the approximate energy equivalency of the two commodities at the burner tip. BOE does not represent a value equivalency at the plant gate which is where Bulldog sells its production volumes and therefore may be a misleading measure if used in isolation.

SOUTHEAST SASKATCHEWAN

Summary Operational Data

Average well depth	1,100 meters with a 1,000 meter horizontal leg
Average well costs	
Drilling costs	$650,000
Drilling, completion and equipping	$850,000
Average reserves/well	100,000 to 125,000 bbls
Average production/well	
Initial rates	150 bbls/day
After one year	80 to 100 bbls/day
Net undeveloped land	31,762 acres
Current drilling inventory	35 locations

Operational Reports

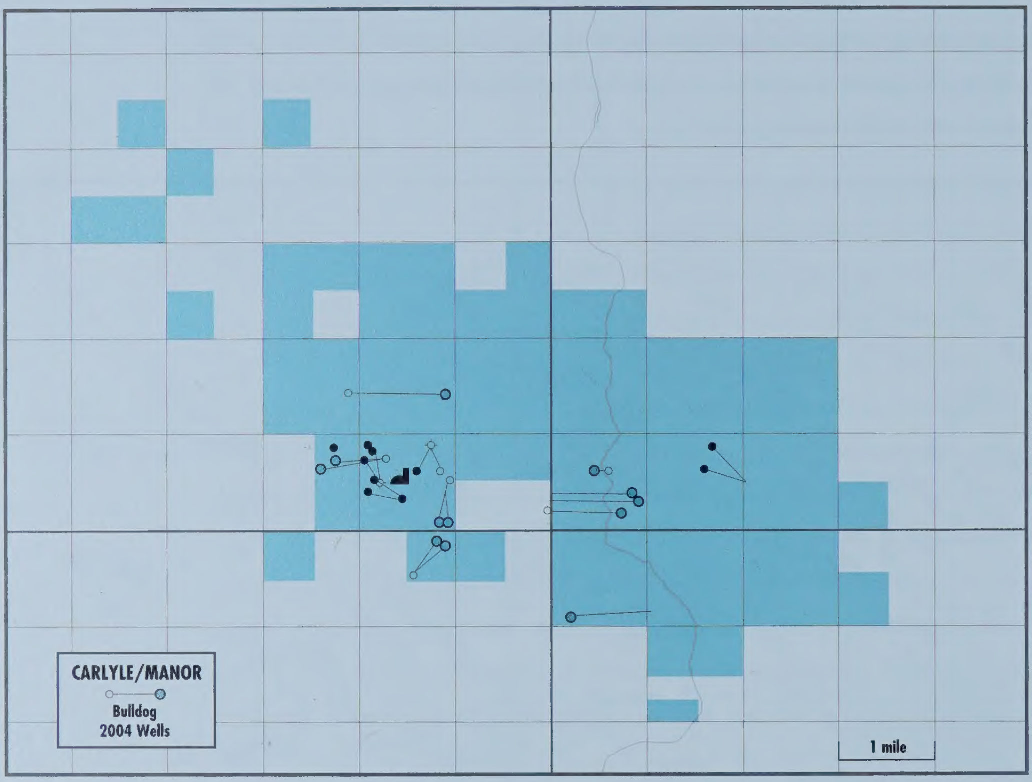
Southeast Saskatchewan became the dominant area of activity for our company in 2003 as we successfully pursued drilling opportunities on our undeveloped lands. This focused land position is highly prospective for light oil (34 degree API) in Triassic age sand reservoirs and Mississippian age carbonate reservoirs at depths ranging from 1,100 to 1,200 meters. We are concentrating our development efforts on specific zones which can have initial production rates per well of over 150 bbls/day and recoverable reserves in excess of 150,000 barrels per well.

This region accounted for 86% of production volumes in 2004 and 100% of proven and probable reserves at year-end 2004 (after the sale of the Rosevear property). During the year, Bulldog drilled or re-entered 19 gross (15.7 net) wells in the region, 18 of which were operated.

In 2004, we established the 100% working interest Carlyle/Manor property as a major in-place accumulation of 34 degree API oil. In 2004, we drilled eight horizontal wells resulting in three new pool discoveries, and five pool extensions for a 100% success rate. We shot two 3-D seismic programs totaling 20.7 square kilometers in this area in 2004. We also purchased 6.2 square kilometers of 3-D. Two additional programs of 5.2 and 11 square kilometers were shot in January, 2005.

To accommodate our increasing fluid production, we have expanded our existing Carlyle facilities to process 3,850 bbls per day of oil.

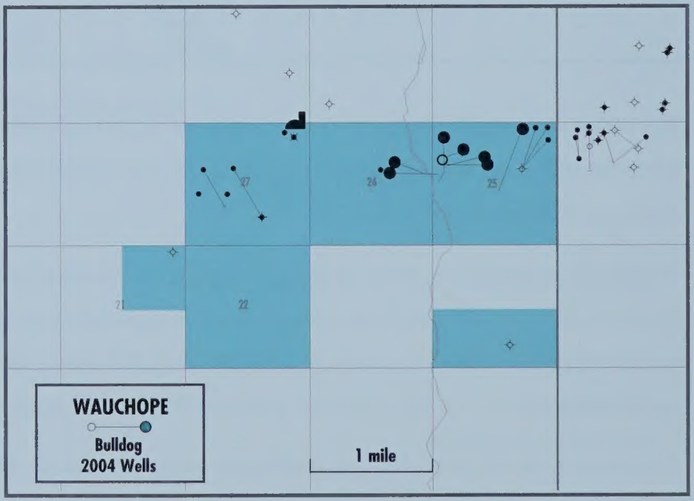
Operational Reports



The Carlyle/Manor area will be a major focus for Bulldog in 2005. We are currently planning to drill fourteen 100% working interest wells of which nine are development and five are exploration. In addition to developing our primary zone, we will be evaluating a second zone with horizontal wells which was successfully tested in a vertical well in January 2005.

In February 2004, we acquired the Helmsman group of companies and associated properties. All of the acquired properties are adjacent to our current operations with similar producing zones and geological characteristics. This acquisition was a major strategic move in our growth strategy as it provided us with additional light oil pools with significant development potential to add to our drilling program in 2004 and 2005. We were 100% successful with five horizontal wells drilled on the Helmsman properties in 2004.

On the 90% working interest Wauchope property, we were successful with four horizontal wells in 2004. Our facilities and flow lines have been up-graded to accommodate 2,600 bbls per day of oil. We are currently planning to drill seven horizontal wells on this pool in 2005.



Operational Reports

At the end of 2004, Bulldog had a total land position of 45,618 gross (36,634 net) acres in Southeast Saskatchewan. This area accounts for 100 % of our current production and 100 % of proven and probable reserves.

As of mid-March 2005, Bulldog's production volumes in Southeast Saskatchewan are averaging approximately 1,600 bbls/day of light oil. Bulldog has interests in 84 producing wells, 9 operated processing facilities and associated infrastructure, 31,762 net acres of undeveloped land, 299 square kms of 3-D seismic and 341 kms of 2-D seismic data in the region. We operate approximately 92% of our production and virtually all of our drilling operations.

We are planning a $22 million capital expenditure program in 2005 including the drilling of 24 wells and facility upgrades. Our working interest on these projects will average 95% and will be focused on the Carlyle/Manor, Wauchope, and Weir Hill properties.

ROSEVEAR

On January 12, 2005, we closed the sale of our Rosevear natural gas property to a private company for cash consideration of $6.3 million. The transaction is reflected in the 2004 financial statements. Rosevear was Bulldog's initial project which was developed through farm-ins, successful drilling and strategic property acquisitions. The sale price and cash flow from the property almost doubled the total project costs. At the time of the property sale, Bulldog's production volumes from the Rosevear property were averaging approximately 150 BOE/day. The sale of the Rosevear property allowed Bulldog to crystallize the value of the property and use the proceeds to re-invest in our high working interest, high impact oil properties in Southeast Saskatchewan.

UNDEVELOPED LAND

Undeveloped land is the basic building block for our industry in the exploration for petroleum and natural gas reserves. Bulldog acquires undeveloped land through property acquisitions, land sale auctions conducted by the Saskatchewan government, freehold leasing and farm-ins with other industry participants.

	2004		2003	
December 31 (acres)	**Gross**	**Net**	Gross	Net
Alberta	–	–	13,936	4,308
Saskatchewan	**37,955**	**31,762**	26,920	20,876
Total	**37,955**	**31,762**	40,856	25,184
Average working interest	**84%**		62%	

As most of the undeveloped lands are held under five year leases, approximately 20% of the acreage volumes are scheduled to expire in each of the next five years.

Operational Reports

DRILLING ACTIVITY

While undeveloped lands are the basic building block for our industry, the only true test of their viability is the commitment to drill. For a junior company, Bulldog has conducted a very active drilling program since its inception in late 2001.

Year ended December 31 (wells)	**2004** Gross	**2004** Net	2003 Gross	2003 Net	2002 Gross	2002 Net
Oil completions	**17**	**13.7**	12	4.7	3	1.0
Natural gas completions	**2**	**2.0**	2	1.2	7	2.6
Dry and abandoned	**–**	**–**	5	1.8	4	2.0
Total wells	**19**	**15.7**	19	7.7	14	5.6
Average working interest	**83%**		41%		40%	

Of the 19 gross wells drilled in 2004, 18 were operated by Bulldog. Our average working interest more than doubled to 83% allowing us to retain more of the benefits in generating our prospects. All of the oil wells were drilled horizontally in Southeast Saskatchewan with an average drill/complete/equipping cost of $850,000 per well.

PETROLEUM AND NATURAL GAS RESERVES

The most comprehensive of the disclosures required under NI 51-101 are those with respect to reserves. Bulldog engaged the independent engineering firm Gilbert Laustsen Jung Associates Ltd. (GLJ) to evaluate our estimated reserves and future net revenues as of December 31, 2004. Their report, dated March 4, 2005, covered 100% of our reserves.

All of the following material presented is extracted from the GLJ report based upon the sections prepared using escalating price and cost assumptions for the company working interest reserves. Bulldog believes these assumptions to be the most realistic presentation of such data. The tables based upon constant price and cost assumptions are set out in our Annual Information Form. Bulldog does not represent that the tables showing the undiscounted and discounted future net revenues as estimated by GLJ are representative of fair market value.

Summary of Estimated Reserve Volumes and Estimated Future Net Revenues (000s)

	Oil (mbbls)	Natural Gas (mmcf)	Total (mboe)	Net Present Value (before income taxes) Undiscounted	Net Present Value (before income taxes) 10% Discount
December 31, 2004					
Proved producing	1,701	306	1,753	$ 35,702	$ 29,126
Proved developed non-producing	61	1	61	1,772	1,574
Proved undeveloped	643	71	654	11,794	8,712
Total proved	2,405	378	2,468	49,268	39,412
Total probable	1,409	85	1,423	25,272	15,332
Total proved plus probable	**3,814**	**463**	**3,891**	**$ 74,540**	**$ 54,744**
December 31, 2003					
Total proved plus probable	1,318	2,795	1,784	$ 24,425	$ 16,592

Operational Reports

The change in reserves from 2003 to 2004 is net of 2004 production volumes of 391 mbbls of oil and 337 mmcf of natural gas. Successful drilling and the Helmsman acquisition accounted for the increase in oil reserves. The decline in natural gas reserves is attributable to the $6.3 million sale of the Rosevear property at the end of 2004. The remaining natural gas reserves are attributable to solution gas on Bulldog's oil properties in Southeast Saskatchewan.

The estimate of future net revenue was calculated based upon estimated revenues less royalties, operating costs, future development costs, and well abandonment costs. Estimated income taxes have not been deducted in arriving at these numbers. The December 31, 2004 report was based upon GLJ's projection of annual production volumes thereafter and the following benchmark price, foreign exchange and inflation assumptions for the next five years (with comparisons to actual realizations in 2002, 2003 and 2004):

	WTI Crude OIL $US/ bbl	Edmonton Light Oil $Cdn/ bbl	AECO Natural Gas $Cdn/ mmcf	Exchange Rate $US/ $Cdn	Inflation Rate
Historical					
2002	26.08	40.33	4.04	0.637	2.2%
2003	31.07	43.66	6.66	0.721	2.8%
2004	**41.38**	**52.96**	**6.88**	**0.769**	**1.9%**
Forecast					
2005	42.00	50.25	6.60	0.820	2.0%
2006	40.00	47.75	6.35	0.820	2.0%
2007	38.00	45.50	6.15	0.820	2.0%
2008	36.00	43.25	6.00	0.820	2.0%
2009	34.00	40.75	6.00	0.820	2.0%

Reconciliation Of Changes In Reserve Volumes

	Proved			**Proved & Probable**		
	Oil (mbbls)	Natural Gas (mmcf)	BOE (mboe)	Oil (mbbls)	Natural Gas (mmcf)	BOE (mboe)
January 1, 2004	946	1,983	1,277	1,318	2,795	1,784
Drilling	1,216	98	1,232	1,909	131	1,931
Acquisitions	805	123	825	1,171	137	1,193
Dispositions	(42)	(1,519)	(295)	(68)	(2,119)	(421)
Revisions	(129)	29	(124)	(125)	(145)	(149)
Production	(391)	(336)	(447)	(391)	(336)	(447)
December 31, 2004	**2,405**	**378**	**2,468**	**3,814**	**463**	**3,891**

On a BOE basis, Bulldog's proved reserve additions from drilling and acquisitions in 2004 replaced production volumes 4.6 times.

Operational Reports

EFFICIENCY MEASURES

Our industry is constantly engaged in the pursuit of increasing its inventory of reserves and converting them to higher production volumes. To be successful, we must not only replace current production volumes and increase reserves but we must do so economically. The three most common efficiency measures that the oil and natural gas industry uses to judge its performance against these objectives are: (1) finding and development costs; (2) reserve life index; and (3) recycle ratio.

Finding and Development Costs

The calculation of finding and development (F&D) costs in our industry has been the number most subject to variability and inconsistency amongst companies. NI 51–101 has attempted to address this issue by mandating that such calculations: (1) include all estimated future development costs to bring reserves on-stream in the same period as the volumes are initially recognized and variations thereafter; and (2) exclude the effects of corporate and property acquisitions and dispositions in an attempt to focus purely on exploration and development activities. The Canadian Securities Administrators were silent as to the choice in the following parameters in the calculation of F&D costs other than to require disclosure of each company's methodology:

- use of company working interest or net of royalty reserve volumes;
- use of volumes developed under escalating or constant price and cost assumptions; and
- the inclusion or exclusion of costs related to undeveloped lands and seismic and future asset retirement costs.

The most controversial of the NI 51 – 101 provisions is the exclusion of the effect of acquisitions. Fundamentally our industry seeks to add to its reserve volumes through both exploration AND acquisition initiatives. Therefore, Bulldog has chosen to disclose finding, development and acquisition (FD&A) costs which include the effect of acquisitions in addition to finding and developments (F&D) costs. The other parameters we applied in our calculations include:

- using company working interest reserve volumes;
- using the escalated prices and costs case from the GLJ report;
- the effect of all revisions to previous reserve reports;
- the inclusion of all capitalized costs recorded in the period including land and seismic costs but excluding asset retirement costs; and
- the inclusion of the change in estimated future development costs required to bring the related reserves fully on production.

Inherently, the calculation of FD&A costs per BOE of reserve additions on an annual basis is an imprecise calculation. Estimated reserve volumes, future development costs and the capital spent in the current year on land and seismic for future reserve additions are variable for many reasons and therefore may unduly impact the annual calculation.

Nevertheless, long-term measurements over several years negate some of this annual imprecision and are a reasonable indicator of corporate performance. The following tables present our 2004 and 2003 annual cost measures as well as the cumulative measure over the last three years, being the entire period of our corporate operations.

	2004	2003	Three year Average
F&D Costs/BOE			
Proved	**$ 17.12**	$ 18.30	$ 15.34
Proved plus probable	**$ 11.45**	$ 13.95	$ 12.02
FD&A Costs/BOE			
Proved	**$ 23.28**	$ 16.54	$ 19.75
Proved plus probable	**$ 16.39**	$ 12.38	$ 14.94

Excluding revisions Bulldog's 2004 F&D and FD&A costs based on proved and probable reserves were $10.57 and $15.61 per BOE respectively.

Our 2004 FD&A costs/BOE were higher than in the prior year and above the F&D costs/BOE from our exploration and development programs. This is indicative of the highly competitive environment within our industry particularly in pursuing corporate or property acquisition opportunities and underscores the importance of having active on-going exploration and development programs. The Helmsman acquisition completed in early 2004 was a major undertaking and almost doubled Bulldog's size at the time. We based our purchase upon an Ashton Jenkins Mann report dated November 1, 2003. These properties were evaluated by Gilbert Laustsen Jung (GLJ) for the December 31, 2004 report. GLJ has excluded certain areas with respect to the Wauchope pool from the proven and probable reserves categories in their report. However, GLJ has recognized 621,000 barrels of additional possible reserves in the pool from these excluded areas in a separate evaluation. When viewed in the context of our three year history and how we are positioned going into 2005, we believe our FD&A costs/BOE are reasonable and reflective of the industry environment in which we operate.

Reserve Life Index

Reserves represent the lifeblood of our industry. The ensuing production generates cash flow which is the primary source of funds to reinvest in the business in the pursuit of not only replacing the related volumes but also growing the inventory of reserves. As our industry inherently must have a long-term focus, a critical measure is our staying power as measured by the reserve life index – in other words how many years of operation does our current reserve base represent based upon our current production levels. To measure this, Bulldog compares the annualized rate of fourth quarter production to year-end reserves based upon company working interest volumes determined on the escalating prices and costs case. As of December 31, 2004, the reserve life index on our oil reserves was 4.8 years on a proved basis and 7.6 years on a proved plus probable basis. We believe a reserve life index of 5-8 years is an appropriate balance of reserve longevity and capital deployment.

In the GLJ report, our probable reserves only look forward to mid-2006. We plan a very active drilling program in 2005 and expect to validate most of the probable reserves as proved reserves this year. Not only will this have a favourable impact on future production volumes, but it will also extend our proved reserve life index.

Operational Reports

Recycle Ratio

Another measure of reserve efficiency ratios is the ratio between annual netbacks to annual finding, development and acquisition costs expressed on a BOE basis. While the reserve life index represents a life-to-date picture of the volume of inventory, the recycle ratio is a short-term economic measure based solely upon annual measurements of current corporate cash flow netbacks divided by the current year's finding, development and acquisition costs. The calculation of annual finding, development and acquisition costs is volatile leading to some imprecision in the recycle ratio calculation; nevertheless it is considered important by our industry in evaluating short-term performance. Bulldog calculates this measure based upon company working interest reserve volumes as determined based upon the escalating price and cost assumptions including acquisitions.

ANNUAL RECYCLE RATIO (TIMES)

		FD&A Costs*		Recycle Ratio	
	Net Back /BOE	Proved	Proved & Probable	Proved	Proved & Probable
2004	**$26.39**	**$21.88**	**$15.61**	**1.2**	**1.7**
2003	$18.47	$13.18	$11.83	1.4	1.6
2002	$ 8.34	$14.50	$13.04	0.6	0.6

* *Excluding revisions to reserve volumes*

Bulldog's 2004 recycle ratio based on F&D costs for proved and probable reserves was 2:5.

Bulldog only produces light crude oil and therefore enjoys one of the highest cash flow netbacks in the industry. Our cash flow netback during the first quarter of 2005 will exceed $30.00/BOE.

Accounts

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Advisories

The intention of this Management's Discussion and Analysis (MD&A) is for Bulldog to explain to its shareholders and the investment community three analyses from management's perspective:

(1) Bulldog's performance in 2004,

(2) Bulldog's current financial condition, and

(3) Bulldog's future prospects.

This MD&A complements and supplements the disclosures in our audited financial statements which have been prepared according to Canadian generally accepted accounting principles (GAAP).

Given the objectives of the MD&A, certain information presented is of a forward looking nature. Such forward looking information involves substantial known and unknown risks and uncertainties. Most of these are beyond Bulldog's control and include: the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, availability of qualified personnel, stock market volatility, and access to sufficient capital from internal and external sources. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by Bulldog at the time, may prove to be incorrect. Bulldog's actual results could differ materially from those expressed in, or implied by, such forward looking information.

Finally, in the presentation of the MD&A Bulldog uses two terms that are universally applied in analyzing corporate performance within our industry but which regulators require that we provide disclaimers.

- **Barrel of Oil Equivalent (BOE)** – Our industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis (BOE) whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants. Throughout this MD&A Bulldog has used the 6:1 BOE measure which is the approximate energy equivalency of the two commodities at the burner tip. BOE does not represent a value equivalency at the plant gate which is where Bulldog sells its production volumes and therefore may be a misleading measure if used in isolation.

- **Cash Flow from Operations (Cash flow)** – This measure is considered critical within our industry both in terms of measuring success in our historical operations and being an indicator of funding sources for on-going efforts to replace production volumes and increase reserve volumes. Canadian GAAP requires that "cash flow from operating activities" be the measurement focus. This latter term is derived from "cash flow" as defined by Bulldog adjusted for the change in non-cash working capital. Bulldog believes "cash flow" and "cash flow per share" to be more meaningful measures of our performance and therefore have used these terms throughout this MD&A. Accordingly, we are required to advise the reader that: (a) these are non-GAAP measures for purposes of Canadian accounting standards; and (b) our determinations may not be comparable to those reported by other companies.

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Overview

In mid-2001, Bulldog was a concept developed by the three most senior members of our management team. Our initial funding in December 2001 totalled $5 million and we commenced active operations at the beginning of 2002. Bulldog has now completed three full years of operations encompassing exploration, development, acquisitions, divestitures, and financing initiatives. Our initial equity capital base of $5 million has been supplemented by an additional $26 million of equity financings. Reflecting our success in building shareholder value, this total equity base of $31 million has more than tripled to a market capitalization of $100 million as of mid-March 2005.

As an overview on our performance in 2004, we have summarized our production volumes, emphasizing daily averages, and our income statement, emphasizing each line item on a BOE basis.

Production Volumes

Year ended December 31	**2004**	2003	Change
Annual volumes			
Oil (barrels)	**390,343**	133,394	
Natural gas (mcf)	**336,643**	367,710	
Barrels of oil equivalent (BOE)	**446,450**	194,679	
Daily averages			
Oil (bbls/day)	**1,067**	365	192%
Natural gas (mcf/day)	**920**	1,007	(9%)
Barrels of oil equivalent (BOE/day)	**1,220**	533	129%

Summarized Income Statement

	Per BOE		$000s		
Year ended December 31	**2004**	2003	**2004**	2003	Change
Revenues	**$ 46.04**	$ 38.96	**$ 20,557**	$ 7,584	
Royalties	**(9.52)**	(9.50)	**(4,252)**	(1,849)	
Operating costs	**(6.46)**	(6.51)	**(2,884)**	(1,268)	
Operating income	**30.06**	22.95	**13,421**	4,467	200%
General & administrative	**(2.49)**	(2.95)	**(1,111)**	(574)	
Interest	**(1.18)**	(1.53)	**(526)**	(299)	
Cash flow	**26.39**	18.47	**11,784**	3,594	228%
Depletion & depreciation	**(13.50)**	(11.19)	**(6,025)**	(2,177)	
Accretion of asset retirement obligations	**(0.54)**	(0.47)	**(242)**	(91)	
Stock-based compensation	**(0.61)**	(0.85)	**(271)**	(166)	
Future income taxes	**(3.17)**	(1.06)	**(1,415)**	(206)	
Net income	**$ 8.57**	$ 4.90	**$ 3,831**	$ 954	302%

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The increase in revenues was attributable to changes in both production volumes and commodity prices analyzed as:

Revenues

(000s)	Oil	Natural Gas	Total
Reported 2003 revenues	$ 5,005	$ 2,579	$ 7,584
Increase (decrease) in production volumes	9,641	(218)	9,423
Increase in prices	3,531	19	3,550
Reported 2004 revenues	**$ 18,177**	**$ 2,380**	**$ 20,557**

The major factors influencing Bulldog's improved results in 2004 were:

- Oil production volumes almost tripled primarily due to successful drilling and the Helmsman acquisition completed in February 2004.
- Benchmark oil prices increased throughout 2004 due to tight supply and demand fundamentals and political uncertainties.
- Administrative and interest costs expressed on a BOE basis decreased reflecting efficiencies realized through increased scale of operations.

Some of our growth in 2004 was partially financed by equity issues and therefore the improvements in absolute results were diluted when expressed on a per share basis. Nevertheless, our results expressed on a per share basis improved significantly with cash flow per share almost doubling.

	2004	2003	Change
Cash flow per share – diluted	**$ 0.36**	$ 0.19	89%
Earnings per share – diluted	**$ 0.12**	$ 0.05	140%

Bulldog's financial position at December 31, 2004 was strong. Our balance sheet was heavily weighted to equity financing with our indebtedness (outstanding debt less positive working capital) to total book capitalization of 19% (the ratio to market capitalization at December 31, 2004 was 9%). Our ratio of indebtedness to annualized fourth quarter cash flow was 5 months. Both of these measures compare favourably with our industry peers.

The success of our operations in 2004 has positioned Bulldog with a large inventory of prospects to be drilled in 2005. Average production volumes are expected to increase 50% in 2005 which together with current oil prices significantly in excess of 2004 levels will result in increased cash flow.

Bulldog's biggest challenge over the next few years is to expand into new areas of operations in a very competitive environment.

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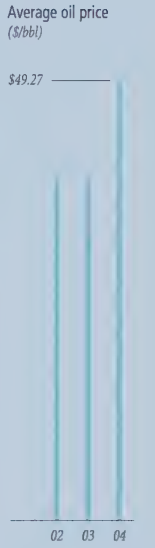
Results of Operations

Our industry commonly expresses various operating results on a unit of production basis and other statistical measures which are the bases of the following analyses.

Operating Income

Operating income is defined as revenues less royalties and operating costs. In 2004, 90% was derived from our oil operations all of which are conducted in Southeast Saskatchewan. The balance was sourced from our natural gas operations at Rosevear in West Central Alberta. The relationship in 2003 was 72%.



OIL NETBACKS PER BARREL

Year ended December 31		**2004**		2003	Change
WTI benchmark price – $US	**$**	**41.40**	$	31.04	33%
Market differential – $US	**$**	**(0.95)**	$	(0.19)	
Exchange rate – $US/$Cdn	**$**	**0.770**	$	0.716	
Edmonton light benchmark price – $Cdn	**$**	**52.54**	$	43.14	22%
Corporate differential – $Cdn		**(3.27)**		(4.99)	
Bulldog average oil price realization / barrel		**49.27**		38.15	29%
Loss on forward price contracts		**(2.70)**		(0.63)	
Royalties		**(9.55)**		(8.60)	
Operating costs		**(6.58)**		(4.69)	
Bulldog realized netback / barrel	**$**	**30.44**	$	24.23	26%
Average royalty rate		**19.4%**		22.5%	
Average daily production (barrels)		**1,067**		365	192%

Oil production volumes tripled in 2004 reflecting the incremental volumes from our 2004 drilling program and 10 months production from the Helmsman acquisition that was completed on February 20, 2004.

The benchmark WTI oil price increased 33% year over year due to tight supply and demand fundamentals and political uncertainties. However, the improvement was partially negated by the appreciation of the Canadian dollar in 2004 resulting in a 29% gain in Bulldog's average oil price realization over 2003. Our average royalty rate decreased due to royalty holidays on new wells placed on production.

Bulldog's operating cost per barrel increased due to high trucking costs associated with production from the new Manor oil wells. The majority of these wells will be tied into our central production facilities in early 2005 resulting in cost efficiencies. Oilfield service sector costs have also increased significantly.

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NATURAL GAS NETBACKS PER THOUSAND CUBIC FEET

Year ended December 31		**2004**		2003	Change
NYMEX benchmark price – $US	**$**	**5.90**	$	5.49	7%
Market differential – $US	**$**	**(0.85)**	$	(0.70)	
Exchange rate – $US/$Cdn	**$**	**0.770**	$	0.716	
AECO benchmark price – $Cdn	**$**	**6.55**	$	6.70	(2%)
Corporate differential – $Cdn		**0.52**		0.31	
Bulldog average natural gas price realization / mcf		**7.07**		7.01	1%
Royalties		**(1.76)**		(2.23)	
Operating costs		**(0.94)**		(1.75)	
Bulldog realized netback / mcf	**$**	**4.37**	$	3.03	44%
Average royalty rate		**24.8%**		32.0%	
Average daily production (mcf)		**920**		1,007	(9%)

Average gas price
($/mcf)

Natural gas production volumes declined due to natural reservoir declines. The 7% increase in the benchmark NYMEX natural gas price in 2004 was offset by the appreciation of the Canadian dollar yielding a flat natural gas price realization for Bulldog. Nevertheless, Bulldog still realized a 44% improvement in realized netbacks as a result of decreased royalty rates and operating cost efficiencies following the higher cost start-up phase of production in 2003. Bulldog sold its Rosevear natural gas property at the end of 2004.

General and Administrative Expenses

Year ended December 31 (000s)		**2004**		2003
Gross expenses	**$**	**2,234**	$	1,185
Operator recoveries		**(585)**		(318)
Capitalized overhead		**(538)**		(293)
Net expenses	**$**	**1,111**	$	574
Average cost per BOE				
Gross	**$**	**5.00**	$	6.08
Net	**$**	**2.49**	$	2.95

Net G&A expenses

While gross expenses have almost doubled from 2003, we have realized economies of scale on a per unit basis. Gross expenses increased due to the scale of operations and the addition of experienced professional staff in early 2004. We employed the equivalent of nine full time staff members versus six full time equivalents in 2003.

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Interest and Financial Expenses

Year ended December 31 (000s)		**2004**		2003
Interest expense – long-term debt	**$**	**192**	$	258
Interest expense – bank loans		**313**		14
Other financial charges		**21**		27
Total	**$**	**526**	$	299
Average cost per BOE	**$**	**1.18**	$	1.53
Average debt outstanding	**$**	**9,008**	$	2,553
Average interest rate		**5.6%**		10.7%

Total interest and financial expenses increased substantially in 2004; however, the draw on credit facilities in 2004 was considerably different than in 2003 accounting for the substantial reduction in the average interest rate. In 2003, most of the draw was on the 11% subordinated long-term debt assumed on a 2002 corporate acquisition; monthly principal repayments and a lump sum payment of $683,000 on November 1st, 2004 resulted in the reduction in this component of interest expense in 2004. Drawings on our bank loan facilities, which were drawn to partially finance the Helmsman acquisition and ongoing capital expenditures, comprised 81% of our average debt utilization in 2004. The average interest rate on this component of our debt in 2004 was 4.3% reflecting the low interest rate environment prevailing in Canada throughout the year.

Non-Cash Expenses

Year ended December 31		**2004**		2003
Depletion and depreciation (000s)	**$**	**6,025**	$	2,177
Per BOE	**$**	**13.50**	$	11.19
Accretion of asset retirement obligations (000s)	**$**	**242**	$	91
Per BOE	**$**	**0.54**	$	0.47
Stock-based compensation (000s)	**$**	**271**	$	166
Per BOE	**$**	**0.61**	$	0.85
Future income taxes (000s)	**$**	**1,415**	$	206
Per BOE	**$**	**3.17**	$	1.06
Apparent income tax rate		**27.0%**		17.7%

The depletion and depreciation expense rate per unit rose in 2004 reflecting higher costs of drilling and facilities; this trend is consistent with industry peers and reflects the increase in cost structures in the current highly competitive environment. Accretion of asset retirement obligations and stock-based compensation expense did not change significantly in 2004 when expressed on a per BOE basis. In 2003, there were several changes to the income tax act with respect to natural resources including a reduction in the federal tax rate, deductibility of Crown royalties, and the elimination of the resource allowance. These changes are being phased in over the 2003–2008 period. There was a very significant reduction in future income taxes in the first year these changes took place and therefore the apparent income tax expense and rate in 2003 were unusually low.

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Net Capital Expenditures

Year ended December 31 (000s)	**2004**	2003
Business combination	**$ 19,507**	$ –
Property acquisitions	**–**	1,493
Property dispositions	**(6,362)**	–
Lease acquisitions and retentions	**712**	495
Seismic	**584**	662
Drilling & completions	**10,712**	4,007
Equipping, pipelines and facilities	**5,429**	1,335
Head office	**25**	29
Total capitalized costs	**$ 30,607**	$ 8,021

These numbers represent expenditures capitalized to petroleum and natural gas properties during the respective years. In addition, capitalized costs with respect to asset retirement obligations were reduced in 2004 by $364,000 (2003 increase of $348,000). This decrease was primarily as a result of selling the Rosevear property and revising the fair value of the future asset retirement obligations.

Liquidity and Capital Resources

Our industry operates within several parameters affecting its liquidity and capital resources:

- It is capital intensive requiring cash infusions on a regular basis as it seeks to grow its business.
- Its inventory of product for sale – its reserves – needs to be constantly replenished and augmented.
- It is a price taker when selling its inventory of oil and natural gas reserves.

Given these constraints, Bulldog finances its operations primarily through equity sources and cash flows. We maintain credit facilities to finance working capital fluctuations, incremental exploration and development activities, and acquisitions.

December 31, 2004 Analysis

Our indebtedness at December 31, 2004 totalled $7.3 million consisting of revolving bank loans of $10.0 million and a term facility of $1.0 million offset by positive working capital of $3.7 million. The positive working capital position was due to a receivable of $5.6 million for a property sale. This transaction closed on January 12, 2005 and the proceeds were applied to a reduction in the revolving bank loans. The ratio of total indebtedness to the total of indebtedness and shareholders' equity was 19% (the ratio to market capitalization at December 31, 2004 was 9%). The ratio of indebtedness outstanding to annualized fourth quarter cash flows was 5 months. Both of these measures compare favourably with our industry peers.

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Bulldog's Class A and Class B common shares trade on The Toronto Stock Exchange. The Class A shares are the primary measure and experienced significant price appreciation and increased liquidity in 2004.

Year ended December 31		**2004**	2003
Average daily trading volumes		**193,000**	9,100
Share price	– high	**$ 2.30**	$ 1.25
	– low	**$ 0.80**	$ 0.55
	– close	**$ 2.16**	$ 1.20

These statistics are indicative of our improved market profile which enhances our ability to access equity capital markets to finance our growth initiatives.

Current Environment Analysis

Currently, Bulldog's capital structure is strong and reflects the following debt and outstanding share positions:

OUTSTANDING DEBT

(000s)	March 17, 2005
Bank loans (authorized $14,500,000)	$ 4,800
Term debt facility (due by November 1, 2005)	900
Total debt	$ 5,700

The bank's annual review of our credit facilities will be completed in the second quarter; we do not expect a reduction in the authorized amount.

COMMON SHARES OUTSTANDING

(000s)	March 17, 2005
Class A common shares outstanding	32,276
Class B common shares outstanding	373
Total Common Shares outstanding (conversion rate $3.00*)	33,518
Stock options to purchase Class A shares	2,410
Total Common Shares outstanding after exercise of all stock options	35,928
Total proceeds due on conversion and exercise of all stock options	$ 2,709

* *The conversion of the Class B common shares into Class A common shares is based upon a formula of $10.00 divided by the greater of $1.00 and the Class A market price at the time of conversion which may occur at any time in 2005 and 2006 at Bulldog's option. The $3.00 conversion rate used in the table represents the recent trading price of the Class A shares.*

Contractual Obligations

In the normal course of business, Bulldog enters into various commitments including debt obligations and operating leases. Our forward contractual obligations for the next five years are summarized as:

(000s)	2005	2006
Term debt repayments	$ 975	$ –
Office lease	81	77
Total contractual obligations	$ 1,056	$ 77

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In December 2004, Bulldog issued 1,400,000 Class A common shares on a flow-through basis for income tax purposes. Bulldog is obligated to incur qualifying expenditures for income tax purposes of $3.0 million by December 31, 2005; as of March 17, 2005 the remaining obligation was approximately $1.6 million. We have an inventory of drilling prospects and seismic programs to fulfill this obligation.

As the majority of our on-going capital expenditure program is directed to the further growth of reserves and production volumes, Bulldog is readily able to adjust its budgeted capital expenditures should the need arise. Bulldog has considerable financial strength, through its cash flows and credit capacity, to fund all of its commitments in 2005.

GUIDANCE FOR 2005

Our guidance remains unchanged from our January 12, 2005 press release.

Our critical budget parameters for 2005 include the following:

- Benchmark price assumptions
  - WTI oil price US$40.00/barrel
  - Foreign exchange rate of US$0.82 to Cdn$1.00
- Production volume assumptions
  - Average daily production 1,850 barrels of oil per day
- Resultant cash flows – $17.5 million
  - Per common share basic & diluted – $0.50/share
- Capital expenditures (excluding acquisitions) – $22.0 million

Current forward oil prices are higher than our budget assumptions. Our cash flow sensitivities to fluctuations are:

2005 Cash Flow Sensitivity

	Amount	Per share
PRODUCTION VOLUMES		
Change of 100 bbls/day of average oil production	$1,000,000	$ 0.03
COMMODITY PRICES		
Change of US$1.00/barrel in the benchmark WTI oil price	$ 600,000	$ 0.02
EXCHANGE RATE		
Change of $0.01 in the $US/$Cdn exchange rate	$ 300,000	$ 0.01

We will continue to provide meaningful updates on these projections throughout 2005.

We reiterate our caution about forward looking statements that was presented at the beginning of this MD&A. There is a high degree of volatility in our industry generally and in the degree of success in our capital expenditure programs.

Additional Disclosures

Critical Accounting Estimates

In the preparation of the financial statements, it was necessary for Bulldog to make certain estimates that were critical to determining our assets, liabilities and net income. None of these estimates affect the determination of cash flow but do have a significant impact in the determination of net income. The most critical of these is the reserve estimations and the resulting effect on various income statement and balance sheet measures.

Bulldog engaged the independent engineering firm Gilbert Laustsen Jung Associates Ltd. (GLJ) to evaluate 100% of our oil and natural gas reserves and prepare a report thereon. This report was utilized in: a) the calculation of depletion and depreciation expense, b) the application of the ceiling test, and c) the calculation of asset retirement obligations. The estimation of the reserve volumes and future net revenues set out in the GLJ report is complex and subject to uncertainties and interpretations. Judgments are based upon engineering data, projected future rates of production, forecasts of commodity prices, and the timing of future expenditures. Inevitably the estimates of reserve volumes and future net revenues will vary over time as new data becomes available. The impact of such revisions on the financial statements in 2004 was not significant.

Changes in Accounting Policies

The Canadian Institute of Chartered Accountants adopted several new accounting standards that become effective in 2004. As Bulldog chose to early adopt all of these standards in the preparation of its 2003 financial statements, there were no changes in accounting policies in 2004.

Forward Price Contracts & Financial Instruments

COMMODITY PRICE RISK MANAGEMENT

Bulldog is exposed to fluctuations in oil prices and occasionally enters into future price contracts specifying either a fixed future settlement price or a price range within which Bulldog will realize. The primary reason for entering into such contracts is to protect cash flows and in doing so assure the financing for our capital expenditure program.

As of December 31, 2004, Bulldog had two costless collar oil contracts in place with the purchaser of our crude oil covering production volumes of 200 barrels/day. These contracts expired February 28, 2005 and resulted in reduced revenues of $208,000 over the first two months of 2005. These were the last of the contracts entered into to provide some cash flow certainty after the completion of Helmsman acquisition in February 2004.

As of March 17, 2005, there are no commodity price risk management contracts outstanding.

CREDIT RISK MANAGEMENT

A substantial portion of Bulldog's accounts receivable are with customers and joint venture partners in the oil and natural gas industry and are subject to normal industry credit risks. Normal settlement terms are 30 days. We are exposed to credit risk on our commodity contracts due to the potential for non-performance by the counter parties. We mitigate this risk by only dealing with well established marketing companies or major financial institutions.

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FAIR VALUE MEASUREMENT

The carrying values of cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. The fair value of fixed rate long-term debt is determined by discounting the contractual cash flows under the debt facility at discount rates which represent interest rates presently available to Bulldog for a debt facility with a similar term and maturity. Based on this, the fair value of long-term debt as at December 31, 2004 was not significantly different from its carrying value.

Related Party Transactions

During 2004, Bulldog sold its Sarcee, Alberta property to its working interest partner for a sales price of $70,000. A director of Bulldog is an officer of the purchasing company. The transaction was approved by the remaining members of the Board of Directors.

During 2003, Bulldog completed the purchase of an oil and natural gas property from a private company which was controlled by a director of Bulldog for cash consideration of $1,100,000 and a 2.5% gross overriding royalty on one quarter section of undeveloped land. The property was evaluated by an independent reserve engineering firm to substantiate the purchase price and the transaction was approved by the remaining members of the Board of Directors prior to its completion.

During 2004, Bulldog incurred $137,000 (2003 - $62,000) of legal fees to a law firm in which one of Bulldog's directors is a partner. At December 31, 2004 accounts payable and accrued liabilities included $26,000 (2003 – $6,600) due to this related party.

Annual Analysis

Year ended December 31 (000s)	**2004**	2003
Production volumes		
Oil (bbls/day)	**1,067**	365
Natural gas (mcf/day)	**920**	1,007
BOE/day	**1,220**	533
Average selling price		
Oil/bbl	**$ 46.57**	$ 37.52
Natural gas/mcf	**$ 7.07**	$ 7.01
BOE	**$ 46.04**	$ 38.96
Revenues (000s)	**$ 20,557**	$ 7,584
Cash flow (000s)	**$ 11,784**	$ 3,594
Per share – basic	**$ 0.37**	$ 0.19
Per share – diluted	**$ 0.36**	$ 0.19
Net income (000s)	**$ 3,831**	$ 954
Per share – basic & diluted	**$ 0.12**	$ 0.05
Capital expenditures (000s)	**$ 30,607**	$ 8,021
Total assets (000s)	**$ 58,210**	$ 23,633
Indebtedness (000s)	**$ 7,274**	$ 4,473

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Quarterly Analysis

	2004				2003			
Three months ended	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Production volumes								
Oil (bbls/day)	**1,373**	**1,225**	**945**	**717**	465	365	328	301
Natural gas (mcf/day)	**999**	**772**	**1,018**	**890**	883	1,149	1,273	721
BOE/day	**1,540**	**1,354**	**1,115**	**866**	612	557	541	421
Average selling price								
Oil/bbl	**$ 48.23**	**$ 50.09**	**$ 45.47**	**$ 38.71**	$ 35.58	$ 35.76	$ 36.26	$ 44.15
Natural gas/mcf	**$ 7.22**	**$ 6.49**	**$ 7.46**	**$ 6.96**	$ 6.28	$ 6.35	$ 7.34	$ 8.42
BOE	**$ 47.70**	**$ 49.03**	**$ 45.36**	**$ 39.23**	$ 36.09	$ 36.56	$ 39.33	$ 45.98
Revenues (000s)	**$ 6,757**	**$ 6,108**	**$ 4,601**	**$ 3,091**	$ 2,032	$ 1,873	$ 1,935	$ 1,744
Cash flow (000s)	**$ 4,026**	**$ 3,673**	**$ 2,419**	**$ 1,666**	$ 946	$ 853	$ 978	$ 817
Per share – diluted	**$ 0.12**	**$ 0.11**	**$ 0.07**	**$ 0.06**	$ 0.05	$ 0.04	$ 0.06	$ 0.05
Net income (000s)	**$ 1,192**	**$ 1,502**	**$ 754**	**$ 383**	$ 100	$ 101	$ 573	$ 180
Per share – diluted	**$ 0.03**	**$ 0.04**	**$ 0.02**	**$ 0.01**	$ 0.01	$ 0.00	$ 0.04	$ 0.01
Capital expenditures* (000s)	**$ (448)**	**$ 5,642**	**$ 3,306**	**$ 2,600**	$ 5,120	$ 1,090	$ 934	$ 877

* *Excluding business combinations and asset retirement costs*

In 2004, quarterly cash flows have grown significantly reflecting the growth in oil production volumes and the strengthening of prices throughout the year. Quarterly net income followed the same pattern except for the fourth quarter when the depletion and expense rate was adjusted upwards following receipt of the annual reserve report. The decrease in capital expenditures in the fourth quarter of 2004 reflects the recognition of $6.3 million of sales proceeds from a property disposition in accordance with generally accepted accounting principles; capital expenditures before this disposition amounted to $5.9 million. Quarterly cash flows and earnings in 2003 did not vary significantly quarter to quarter reflecting the same pattern as production volumes and commodity prices. The only exception was net income in the second quarter – the unusual increase was the result of tax rate reductions enacted in that quarter.

There are four principal reporting documents that Bulldog must prepare and file on an annual basis:

1) the audited financial statements; 2) the Management's Discussion & Analysis (MD&A); 2) the Annual Information Form (AIF); and 4) the Information Circular. The first two of these are set out in this 2004 Annual Report which is mailed to all shareholders. The Information Circular is also mailed to all shareholders. All of these documents are available upon request to Bulldog. They may also be retrieved electronically from the SEDAR website (www.sedar.com) or from Bulldog's website (www.bulldogenergy.ca). These websites will also have additional information about Bulldog Energy.

March 17, 2005

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MANAGEMENT'S REPORT

TO THE SHAREHOLDERS

The accompanying financial statements and all information in this annual report are the responsibility of Bulldog's management. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. The financial and operating information presented in the Annual Report is consistent with that shown in the financial statements.

Management maintains an appropriate system of internal controls, which ensures transactions are appropriately authorized and accurately recorded, assets are safeguarded and financial records are properly maintained.

External auditors, appointed by the shareholders, have conducted an examination of the corporate and accounting records and have provided an independent professional opinion. The Audit Committee, appointed by the Board of Directors and comprised entirely of directors who are not officers or employees of Bulldog, has reviewed the financial statements with management and the external auditors and has reported to the Board of Directors. The Board has approved the financial statements.

Ken McKay

Kenneth D. McKay, P. Geol.

President & Chief Executive Officer

A Brereton

Ailsa Brereton, C.A.

Controller & Chief Financial Officer

Calgary, Alberta
March 17, 2005

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AUDITORS' REPORT

TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Bulldog Energy Inc. as at December 31, 2004 and 2003, and the consolidated statements of income and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada

March 17, 2005

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AUDITED FINANCIAL STATEMENTS

Consolidated Balance Sheets

As at December 31 (000s)	**2004**	2003
Assets		
Current assets:		
Cash	**$ 1,067**	$ 2,772
Property sale receivable (note 4)	**5,625**	–
Accounts receivable	**3,629**	1,711
	10,321	4,483
Petroleum and natural gas properties (note 4)	**44,446**	17,884
Goodwill	**3,443**	1,266
	$ 58,210	$ 23,633
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 6,570**	$ 6,831
Bank indebtedness (note 5(a))	**10,050**	–
Current portion of long-term debt (note 5(b))	**975**	1,150
	17,595	7,981
Long-term debt	**–**	975
Asset retirement obligations (note 6)	**1,960**	1,436
Future income taxes (note 7(b))	**7,378**	2,904
Shareholders' equity:		
Share capital (note 8(b))	**27,362**	10,513
Contributed surplus (note 8(f))	**496**	236
Retained earnings (deficit)	**3,419**	(412)
	31,277	10,337
	$ 58,210	$ 23,633

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Claudio A. Ghersinich, P.Eng.
Director

John A. Thomson, C.A.
Director & Chairman of the Audit Committee

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AUDITED FINANCIAL STATEMENTS

Consolidated Statements of Income and Retained Earnings (Deficit)

Years ended December 31 (000s except per share amounts)	**2004**	2003
Revenues	**$ 20,557**	$ 7,584
Royalties	**(4,252)**	(1,849)
Production expenses	**(2,884)**	(1,268)
	13,421	4,467
Expenses:		
General and administrative	**1,111**	574
Financial (note 5(c))	**526**	299
Depletion and depreciation	**6,025**	2,177
Accretion of asset retirement obligations (note 6)	**242**	91
Stock-based compensation (note 8(e))	**271**	166
	8,175	3,307
Income before income taxes	**5,246**	1,160
Future income tax expense (note 7(a))	**1,415**	206
Net income	**3,831**	954
Deficit, beginning of year	**(412)**	(1,366)
Retained earnings (deficit), end of year	**$ 3,419**	$ (412)
Earnings per common share:		
Basic and diluted	**$ 0.12**	$ 0.05

See accompanying notes to consolidated financial statements.

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 (000s)	**2004**	2003
Cash provided by (used in)		
Operating activities:		
Net income	**$ 3,831**	$ 954
Items not involving cash:		
Depletion and depreciation	**6,025**	2,177
Accretion of asset retirement obligations	**242**	91
Stock-based compensation	**271**	166
Future income tax expense	**1,415**	206
Cash flow from operations	**11,784**	3,594
Change in non-cash operating working capital	**(1,094)**	(294)
Cash flow from operating activities	**10,690**	3,300
Financing activities:		
Issue of share capital, net of issue costs	**16,398**	4,584
Borrowings on bank loans	**10,050**	–
Repayment of long-term debt	**(1,150)**	(375)
	25,298	4,209
Investing activities:		
Petroleum and natural gas properties	**(17,462)**	(8,021)
Business combination (note 3)	**(19,507)**	–
Sale of petroleum and natural gas properties (note 4)	**6,362**	–
Change in non-cash investing working capital	**(7,086)**	3,006
	(37,693)	(5,015)
Increase (decrease) in cash	**(1,705)**	2,494
Cash, beginning of year	**2,772**	278
Cash, end of year	**$ 1,067**	$ 2,772

See accompanying notes to consolidated financial statements.

AUDITED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2004 and 2003

(Tabular amounts stated in $000s except per share amounts)

1. *Basis of presentation:*

Bulldog Energy Inc. ("Bulldog") was incorporated under the laws of the Province of Alberta on July 3, 2001 and commenced business in October 2001. Bulldog is engaged in the business of exploration, development and production of petroleum and natural gas.

The preparation of these financial statements requires management to make a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses and the disclosure of contingencies. In particular, the amounts recorded for depletion and depreciation of petroleum and natural gas properties, the ceiling test, asset retirement obligations, and stock-based compensation are based on estimates of proved reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. *Significant accounting policies:*

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require adherence to numerous accounting policies. The following paragraphs summarize the most significant of the policies followed by Bulldog. Bulldog has selected the full cost method of accounting in preference to the alternative successful efforts method of accounting in conformity with the practice of virtually all Canadian independent oil and natural gas companies. The policies described in the following paragraphs are provided for greater clarity to understand the practices followed in the preparation of these financial statements.

(a) PETROLEUM AND NATURAL GAS PROPERTIES:

Bulldog follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploring and developing oil and natural gas properties and related reserves are capitalized. Such capitalized costs include land acquisitions, geological and geophysical expenditures, lease rentals on non-producing properties, expenditures of drilling both productive and non-productive wells, production equipment, asset retirement costs and the portion of general and administrative expenses directly attributable to exploration and development activities.

Proceeds from the sale of properties are normally deducted from capitalized costs without recognition of a gain or loss. Gains and losses on the sale of properties are recognized only when such dispositions would alter the depletion and depreciation expense rate by a factor of 20% or more.

The costs of acquiring unproved properties are initially excluded from capitalized costs in the calculation of depletion and depreciation expense. These properties are assessed periodically to ascertain whether a valuation impairment has occurred. When proven reserves are assigned to such properties or a valuation impairment has occurred, the costs of the properties are included in capitalized costs for purposes of the depletion and depreciation expense calculation.

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Capitalized costs, plus estimated future development expenditures less estimated future salvage values, are recognized as depletion and depreciation expense using the unit-of-production method based upon estimated proven reserves (before deduction of royalties) as determined by independent reserve consultants. For purposes of this calculation, natural gas reserve and production volumes are converted to equivalent volumes of oil based upon the energy equivalency ratio of six thousand cubic feet of natural gas to one barrel of oil.

Bulldog applies a "ceiling test" to the net book value of petroleum and natural gas properties to ensure that such carrying value does not exceed the estimated fair value of the properties. The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceeds the carrying value. If the carrying value is assessed to not be recoverable, the calculation compares the carrying value to the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. Should the carrying value exceed this sum, an impairment loss is recognized. The cash flows are estimated using projected future product prices and costs and are discounted using the credit adjusted risk-free interest rate.

Certain of Bulldog's exploration, development, and production activities are conducted jointly with others. These financial statements reflect only Bulldog's proportionate share in such activities.

(b) GOODWILL:

Goodwill arises on business combinations to the extent that the consideration given exceeds the fair value of the net assets acquired. Goodwill is tested for impairment on a quarterly basis. A goodwill impairment loss is recognized if the carrying value of goodwill exceeds its fair value.

(c) ASSET RETIREMENT OBLIGATIONS:

The fair value of estimated asset retirement obligations is recognized as a liability on the consolidated balance sheet in the period in which it is incurred based upon discounted values (using Bulldog's credit adjusted risk-free interest rate) of anticipated future expenditures required to pay for such obligations. Such estimates vary from year to year and are accounted for as follows:

(i) Increases resulting from the passage of time are recognized as accretion expense in the consolidated statement of income.

(ii) Revisions resulting from changes to estimates or timing of future expenditures to pay for such obligations are recorded as an increase or decrease to the liability on the consolidated balance sheet.

(iii) Actual expenditures incurred in respect of asset retirements are recorded as a reduction of the liability on the consolidated balance sheet.

When an asset retirement obligation is recorded, an equivalent amount, the asset retirement cost, is capitalized as part of petroleum and natural gas properties. Such costs are amortized on the same basis as other capitalized costs with the expense included in depletion and depreciation expense.

(d) FUTURE INCOME TAXES:

Bulldog follows the liability method to account for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year at the substantively enacted rates. Future income tax assets and liabilities are recognized for temporary differences between the income tax and accounting cost bases of assets and liabilities.

(e) FLOW-THROUGH SHARES:

Bulldog has financed a portion of its exploration and development activities through the issuance of flow-through shares. The resource expenditure deductions normally available for income tax purposes from such activities are renounced to the investors in accordance with income tax legislation. Bulldog's recorded amounts for future income taxes and share capital are adjusted by the estimated income tax effect of the deductions when renounced.

(f) PER SHARE AMOUNTS:

Basic per share amounts are calculated using the weighted average number of Class A and Class B common shares outstanding during the year. Class B common shares are converted to Class A common shares at $10 divided by the higher of $1 and the Class A average market price for the period.

Diluted per share amounts are calculated based on the treasury stock method. The weighted average number of common shares is adjusted for the dilutive effect of stock options and warrants. The dilutive effect of stock options and warrants uses the proceeds receivable on exercise to impute the redemption of Class A common shares at the average market price during the period. The weighted average number of common shares outstanding is then adjusted by the net change.

(g) STOCK-BASED COMPENSATION:

The exercise price of stock options granted to employees, directors and consultants is determined by the market price of the Class A common shares at the date of grant. The fair value of stock options granted, as determined by the Black-Scholes option pricing model, is expensed in the consolidated statement of income over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

3. *Business combination:*

On February 20, 2004, Bulldog acquired all the issued and outstanding shares of two private companies and eight associated properties for:

Cash	$ 19,366
Transaction costs	141
Total consideration	$ 19,507

The results of operations of this acquisition have been included in these financial statements since the closing date of February 20, 2004.

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To finance the cost of this acquisition, Bulldog issued 12,200,000 Class A common shares on a private placement basis for gross proceeds of $14,030,000 and increased its operating line of credit with its bank to $10,500,000.

The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition:

Working capital deficiency	$ (376)
Petroleum and natural gas properties	21,999
Goodwill	2,178
Asset retirement obligations	(795)
Future income taxes	(3,499)
Net assets acquired	$ 19,507

4. *Petroleum and natural gas properties:*

	2004	2003
Petroleum and natural gas properties	**$ 42,641**	$ 18,690
Production equipment	**12,529**	3,924
Office furniture and equipment	**122**	91
	55,292	22,705
Less accumulated depletion and depreciation	**(10,846)**	(4,821)
Net book value	**$ 44,446**	$ 17,884

General & administrative expenses of $538,000 (2003 - $294,000) were capitalized during the year.

Land and seismic costs associated with unproven properties that were excluded from costs subject to depletion and depreciation for 2004 totaled $9,519,000 (2003 - $2,529,000). Future development costs of $8,316,000 (2003 - $1,745,000) were included in the costs subject to depletion and depreciation. Salvage value totaling $3,264,000 (2003 – $689,000) reduced the costs of equipment subject to depreciation.

On December 17, 2004, Bulldog entered into an agreement for the sale of certain petroleum and natural gas properties for cash consideration of $6,250,000. A deposit of $625,000 was received at that time. The transaction closed on January 12, 2005. Bulldog has recognized the sale as of December 31, 2004 .

At December 31, 2004, the "ceiling test" calculation was based upon cash flows discounted at a rate of 8% and the following forecast benchmark prices obtained from third parties:

	Oil Prices WTI $US	Exchange Rate $1US/$1Cdn
2005	$ 42.00	$ 0.82
2006	$ 40.00	$ 0.82
2007	$ 38.00	$ 0.82
2008	$ 36.00	$ 0.82
2009	$ 34.00	$ 0.82
Thereafter	2.0%	$ 0.82

5. *Bank indebtedness and long-term debt:*

(a) BANK INDEBTEDNESS:

At December 31, 2004, Bulldog had bank credit facilities consisting of: (a) an $11,500,000 operating line of credit, and (b) a $3,000,000 acquisition/development line of credit. These facilities bear interest at the bank's prime lending rate plus 1/2% and 3/4% respectively or at the Bankers' Acceptance rate. As of December 31, 2004, $7,550,000 was drawn on the operating line of credit and $2,500,000 was drawn on the acquisition /development line of credit.

Amounts drawn under both facilities are due on demand. Security for the lines of credit is provided by a $20,000,000 Supplemental Debenture with a Negative Pledge and Undertaking to provide fixed charges on major producing petroleum properties at the request of the bank.

(b) LONG-TERM DEBT:

	2004	2003
Long-term debt	$ 975	$ 2,125
Current portion of long-term debt	(975)	(1,150)
Balance, end of year	$ –	$ 975

As of December 31, 2004, Bulldog is required to make monthly principal repayments of $25,000 with a final payment of $725,000 due on November 1, 2005. Amounts drawn pursuant to this facility bear interest at 11% per annum. This debt is secured by debentures from Bulldog totaling $6,000,000 subordinated to the lines of credit with the bank.

(c) FINANCIAL EXPENSES:

Interest on long-term debt in 2004 amounted to $192,000 (2003 - $ 258,000). The balance of interest expense in both years included interest on the bank indebtedness and other interest charges offset by miscellaneous interest income. Actual interest paid during 2004 was $524,000 (2003 - $273,000).

6. *Asset retirement obligations:*

Bulldog has estimated the fair value of its future asset retirement obligations with respect to its petroleum and natural gas properties. The following table reconciles Bulldog's asset retirement obligations at the end of each year.

	2004	2003
Balance, beginning of year	$ 1,436	$ 997
Accretion expense	242	91
Liabilities incurred	431	348
Liabilities settled	(149)	–
Balance, end of year	$ 1,960	$ 1,436

The foregoing fair values are based upon estimated expenditures required to pay for the obligations discounted using a credit adjusted risk-free rate of 8% (2003 – 8%) and an inflation rate of 2% (2003 – 2%) The estimated total undiscounted future expenditures at December 31, 2004 was $3,800,000 (2003 - $1,966,000). Most of these obligations are expected to be incurred by 2019.

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7. *Future income taxes:*

(a) RECONCILIATION OF PROVISION FOR FUTURE INCOME TAXES:

The provision for income taxes differs from the result which would have been obtained by applying the combined Federal and Provincial statutory tax rate of 41.1% (2003 – 42.1%) to the income before income taxes.

The difference results from the following items:

	2004	2003
Income before income taxes	**$ 5,246**	$ 1,160
Expected income tax at 41.1% (2003 - 42.1%)	**$ 2,156**	$ 488
Increase (decrease) resulting from:		
Crown payments	**416**	427
Resource allowance	**(1,123)**	(472)
Non-deductible stock based compensation	**111**	70
Effect of change in future tax rates	**(145)**	(307)
Future income tax expense	**$ 1,415**	$ 206

(b) ANALYSIS OF FUTURE INCOME TAX LIABILITY:

Future income taxes consist of the following temporary differences:

	2004	200
Future tax liabilities:		
Petroleum and natural gas properties	**$ 8,607**	$ 3,160
Future tax assets:		
Share issue costs and asset retirement obligations	**(1,229)**	(256)
Balance, end of year	**$ 7,378**	$ 2,904

Share capital:

(a) AUTHORIZED:

Unlimited number of Class A and B voting common shares
Unlimited number of preferred shares

The Class B shares are convertible into Class A shares at Bulldog's option at any time from January 1, 2005 to December 31, 2006. The number of Class A shares to be issued upon conversion of each Class B share will be equal to $10 divided by the greater of $1 and the then current market price of Class A shares. If conversion has not occurred by December 31, 2006, the Class B shares become convertible into Class A shares at the option of the shareholder until February 1, 2007, at which time all remaining Class B shares outstanding will be automatically converted into Class A shares.

(b) ISSUED AND OUTSTANDING:

	2004 Number	2004 Amount	2003 Number	2003 Amount
Class A common shares:				
Balance, beginning of year	**18,186,730**	**$ 8,355**	11,991,874	$ 4,183
Issued for cash	**13,600,000**	**17,040**	6,000,000	4,800
Warrants exercised	**397,401**	**437**	194,856	146
Stock options exercised	**21,667**	**29**	–	–
Share issue costs	**–**	**(1,097)**	–	(362)
Income tax effect of share issue costs	**–**	**440**	–	153
Income tax effect of flow-through shares	**–**	**–**	–	(565)
Balance, end of year	**32,205,798**	**25,204**	18,186,730	8,355
Class B common shares:				
Balance, beginning and end of year	**372,768**	**2,158**	372,768	2,158
Total share capital, end of year		**$ 27,362**		$ 10,513

On February 20, 2004, Bulldog issued 12,200,000 Class A common shares at a price of $1.15 per share for gross proceeds of $14,030,000. These proceeds financed the majority of the acquisition cost of the business combination described in Note 3. On December 16, 2004, Bulldog issued a further 1,400,000 Class A common shares at a price of $2.15 per share for gross proceeds of $3,010,000. These shares were issued on a flow-through basis for income tax purposes.

(c) RESERVED FOR ISSUE:

Stock options

Bulldog has a plan to provide stock options for directors, employees and consultants to purchase Class A common shares. As at December 31, 2004, the maximum number of stock options that Bulldog may grant under the plan is 3,040,000.

The following table reconciles the changes in outstanding stock options for the last two years:

	2004 Number	2004 Weighted average exercise Price	2003 Number	2003 Weighted average exercise Price
Outstanding, beginning of year	**1,425,000**	**$ 0.72**	1,105,000	$ 0.62
Granted	**1,110,000**	**1.59**	380,000	1.02
Exercised	**(21,667)**	**0.80**	–	–
Forfeited	**(23,333)**	**0.85**	(60,000)	0.80
Outstanding, end of year	**2,490,000**	**$ 1.10**	1,425,000	$ 0.72
Exercisable, end of year	**971,672**	**$ 0.62**	526,673	$ 0.54

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The following table summarizes the expiry terms and exercise prices of Bulldog's outstanding stock options as at December 31, 2004:

Actual Exercise Prices	Number of stock options outstanding	Weighted average remaining term (years)	Number of stock options exercisable
$0.40	505,000	2.0	505,000
$0.75	80,000	2.8	53,334
$0.80	415,000	3.0	276,669
$0.85	30,000	2.7	20,000
$0.96	45,000	4.6	–
$1.02	90,000	3.7	30,000
$1.05	260,000	4.0	86,669
$1.15	215,000	4.5	–
$1.20	125,000	4.1	–
$1.25	125,000	4.2	–
$1.95	600,000	5.0	–
	2,490,000	3.7	971,672

The stock options exercisable at $0.40 per share are fully vested, and the stock options exercisable at $1.95 vest in 2007. The remaining stock options vest as to one-third on each of the first, second, and third anniversary dates from the date of issue. All unexercised stock options will expire on the fifth anniversary from the date of issue.

Warrants

Bulldog granted certain warrants to purchase Class A common shares in conjunction with the initial public offering of common shares completed in 2001 and a business combination completed in 2002. The following table reconciles the changes in outstanding warrants for the last two years:

	2004		2003	
	Number of Warrants	**Weighted average exercise Price**	Number of Warrants	Weighted average exercise Price
Outstanding, beginning of year	**400,000**	**$ 1.10**	594,856	$ 0.99
Exercised	**(397,401)**	**1.10**	(194,856)	0.75
Forfeited	**(2,599)**	**1.10**	–	–
Outstanding, end of year	**–**	**$ –**	400,000	$ 1.10

(d) WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:

	2004	200
Basic	**31,713,284**	18,729,352
Diluted	**32,381,776**	19,058,800
Conversion price for Class B common shares	**$ 1.32**	$ 1.00

Stock options of 600,000 (2003 – 360,000) and warrants (2003 – 400,000) were excluded from the dilution calculation as the exercise prices were greater than the average market price for the respective years.

(e) STOCK-BASED COMPENSATION:

Bulldog has recorded stock-based compensation expense for all stock options granted since its inception in late 2001. Such compensation expense is calculated based upon the fair value of stock options on the date of the grant using the Black-Scholes option pricing model amortized over the vesting period of the stock options applying the following assumptions:

		2004		200
Weighted average fair value	**$**	**1.02**	$	0.66
Risk-free interest rate		**4.5%**		4.5%
Years to expiry of stock options		**5.0**		5.0
Expected volatility		**75%**		75%
Dividend yield		**Nil**		Nil

The impact of this standard was the recording of stock-based compensation expense for the year ended December 31, 2004 of $271,000 (2003 - $166,000) with a corresponding increase to contributed surplus.

(f) CONTRIBUTED SURPLUS:

		2004		200
Balance, beginning of year	**$**	**236**	$	70
Stock options granted		**271**		166
Stock options exercised		**(11)**		–
Balance, end of year	**$**	**496**	$	236

9. *Related party transactions:*

During 2004, Bulldog sold its Sarcee, Alberta property to its working interest partner for a sales price of $70,000. A director of Bulldog is an officer of the purchasing company. The transaction was approved by the remaining members of the Board of Directors.

During 2003, Bulldog completed the purchase of an oil and natural gas property from a private company which was controlled by a director of Bulldog for cash consideration of $1,100,000 and a 2.5% gross overriding royalty on one quarter section of undeveloped land. The property was evaluated by an independent reserve engineering firm to substantiate the purchase price and the transaction was approved by the remaining members of the Board of Directors prior to its completion.

During 2004 Bulldog incurred $137,000 (2003 - $62,000) of legal fees to a law firm in which one of Bulldog's directors is a partner. At December 31, 2004 accounts payable and accrued liabilities included $26,000 (2003 - $6,600) due to this related party.

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10. Forward price contracts:

At December 31, 2004, Bulldog had the following costless collar oil contracts in place with the purchaser of its crude oil:

Dates	Price range WTI $US	Volume	Realized Loss December 31, 2004	Fair Value at December 31, 2004
March 1, 2004 to February 28, 2005	$28.45 - $33.20	100 bbls/day	$ (376)	$ (63)
March 1, 2004 to February 28, 2005	$29.00 - $33.00	100 bbls/day	(384)	(62)
			$ (760)	$ (125)

Bulldog's accounting policy for these oil contract transactions recognizes gains and losses in revenue on the settlement of the contracts in the same period in which the contract volumes are produced. The fair values of open contracts as of the balance sheet date are not recorded in these financial statements.

11. Financial instruments:

(a) CREDIT RISK MANAGEMENT:

A substantial portion of Bulldog's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. Settlement terms are normally 30 days.

(b) FAIR VALUE:

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. The fair value of fixed rate long-term debt is determined by discounting the contractual cash flows under the debt facility at discount rates, which represent interest rates presently available to Bulldog for a debt facility with a similar term and maturity. Based on this, the fair value of long-term debt as at December 31, 2004 was not significantly different from its carrying value.

12. Commitments:

On December 16, 2004 Bulldog issued 1,400,000 Class A common shares for gross proceeds of $3,010,000. These shares were issued on a flow-through basis for income tax purposes and obligated Bulldog to incur qualifying expenditures in an equivalent amount by December 31, 2005.

Bulldog has lease commitments for office space which will require payments of $81,000 in 2005 and $77,000 in 2006.

Corporate Stewardship

Bulldog's governance is fulfilled through a six member Board of Directors, four of whom are independent of management. Ken McKay and Bruce McKay, our CEO and COO respectively, are the management representatives on the Board. Ken and Bruce along with Mike Flanagan (Vice President Land) were the co-founders of Bulldog. Our directors have an average in excess of 25 years of business experience principally in the oil and natural gas industry. Our skill sets – exploration and development, operations, property valuations, finance & accounting, legal – encompass the full range of talent required to govern and manage a successful company.

E. CRAIG LOTHIAN LLB

Chairman of the Board

Mr. Lothian has in excess of fifteen years experience in the oil and natural gas industry. He is currently President and CEO of two private energy based companies, Keystone Petroleums Ltd. (a land and royalty company) and Keystone Energy Corp., (an active exploration and development company). Previously, he was Chairman and CEO of Flatland Exploration Ltd. until it was acquired by Bulldog in 2002; and CEO of Keystone Energy Inc. prior to it being acquired by StarPoint Energy Ltd. in 2004. Craig obtained his Bachelor of Arts (Economics) (1986) and LL.B (1988) from the University of Saskatchewan and rose to partnership of a Regina law firm prior to entering the energy business. Mr. Lothian is also a founder and director of Lex Minerals Inc.

CLAUDIO GHERSINICH, P. ENG.

Chair of the Reserves Committee

Mr. Ghersinich holds a Bachelor of Science degree in Civil Engineering from the University of Manitoba (1980). Claudio's entire 25 year business career has been in the oil & natural gas industry with extensive experience in identifying, acquiring and exploiting oil and natural gas properties. Currently, he is Executive Vice President and a Director of Vermilion Energy Trust of which he was a co-founder. He was also the co-founder of Vista Nuova Inc., a private company that amalgamated with another company to form Vermilion Resources Ltd. Mr Ghersinich also serves on the Board of Directors of Verenex Energy Inc.

JAMES PASIEKA LLB

Chair of the Governance and Compensation Committee

Mr. Pasieka is currently a partner with the Calgary office of Heenan Blaikie LLP. He serves as Chairman of the Board of Thunder Energy Inc. and Relentless Energy Corp. In addition, he is a director of Sebring Energy Inc., Peerless Energy Inc., Kootenay Energy Inc., and StarPoint Energy Trust. He is also Corporate Secretary to Breaker Energy Ltd., Mission Oil & Gas Inc., and the Balancing Pool of Alberta. From January 2000 to September 2001, he was Vice President, Corporate Development - Venture Capital with Cavendish Investing Ltd., a private investment company. Prior to that position, he spent over four years with the Calgary law firm, Code Hunter. Jim's other experience includes being an independent consultant providing business and legal services, CEO of a business conducting oil field rehabilitation work in China (1996), General Counsel and Corporate Secretary to Wascana Energy Inc. (1992-1994) and Vice-President and Business Manager for Husky Oil International Inc. (1991-1992), and Manager of Legal Services at Husky Oil (1988-1991).

Corporate Stewardship

JOHN THOMSON, C.A.

Chair of the Audit Committee

Mr. Thomson has been associated with the energy industry for 25 years primarily as Senior Vice President and Chief Financial Officer of Renaissance Energy Ltd. (1983-1999) and Vice President Corporate Development of Avid Oil & Gas Ltd. (2000-2001). John holds a Bachelor of Business Administration degree from the University of New Brunswick (1972) and qualified as a Chartered Accountant in 1974. Prior to joining the oil and natural gas industry, he worked in the public accounting arena for nine years, eight of which were with KPMG. In addition to his Bulldog involvement, he serves on the Board of Directors of Compton Petroleum Corporation.

KEN MCKAY, P. GEOL.

President, Chief Executive Officer, and Director

Mr. McKay is a co-founder of Bulldog. He graduated from the University of Calgary in 1982 with a Bachelor of Science, Geology degree and has over 20 years experience in exploration, exploitation, property evaluations and corporate finance in both Western Canada and internationally. In 1995, Ken founded Big Sky Resources Inc. with equity of approximately $350,000. Under his leadership and direction as CEO, Big Sky assembled the team and capital which grew company production to approximately 1,000 BOE/day prior to its sale to Vermilion Resources Ltd. in August 2000 for total consideration of approximately $33 million. Prior thereto, Ken was an independent geological consultant (1994-1995); production geologist and team leader responsible for an integrated petroleum engineering study on the Nembe Creek Field, Nigeria with Shell International Petroleum in The Hague (1992-1994); and held geological positions focusing on exploration and exploitation in western Canada with PanCanadian Petroleum Ltd., Bow Valley Industries Ltd., and Paloma Petroleum Ltd. (1982-1992).

BRUCE MCKAY, C.E.T.

Vice President, Production, Chief Operating Officer, and Director

Mr. McKay is a co-founder of Bulldog. He graduated with a Dipl. Eng, Electrical Engineering from the Southern Alberta Institute of Technology in 1972 and brings in excess of 30 years of engineering, operations and corporate experience to Bulldog. Bruce joined Fletcher Challenge Energy Canada Inc. in 1990 as one of its first employees and was responsible for the company's drilling, completions and workovers, construction, facility engineering, pipeline and surface land functions. His efforts were instrumental in helping grow the company from approximately 3,000 BOE/day to 40,000 BOE/day at the time it was acquired by Apache Canada Ltd. in 2001. Prior thereto, Bruce was Production Manager for Newscope Resources Ltd. (1984-1989); and held various engineering and operations positions with Dome Petroleum Ltd. and Esso Resources Canada Ltd. (1972-1984).

BOARD OF DIRECTORS

E. Craig Lothian, LLb. (1)(2)
Chairman of the Board
Regina, Saskatchewan

Claudio A. Ghersinich, P. Eng. (1)(2)
Calgary, Alberta

S. Bruce McKay, C.E.T.
Calgary, Alberta

Kenneth D. McKay, P. Geol.
Calgary, Alberta

James M. Pasieka, LLb. (2)(3)
Calgary, Alberta

John A. Thomson, C.A. (1)(3)
Calgary, Alberta

(1) Members of the Audit Committee
(2) Members of the Reserve Committee
(3) Members of the Governance & Compensation Committee

OFFICERS

Kenneth D. McKay, P. Geol.
President & Chief Executive Officer

S. Bruce McKay, C.E.T.
Vice President Production
& Chief Operating Officer

Michael H. Flanagan, P. Land
Vice President Land

Ailsa Brereton, C.A.
Controller & Chief Financial Officer

EVALUATION ENGINEERS

Gilbert Laustsen Jung Associated Ltd.
Petroleum Consultants
Calgary, Alberta

BANKERS

National Bank
Calgary, Alberta

AUDITORS

KPMG LLP
Chartered Accountants
Calgary, Alberta

SOLICITORS

Heenan Blaikie LLP
Barristers & Solicitors
Calgary, Alberta

STOCK EXCHANGE

The TSX Exchange
Symbols: BDE.A & BDE.B

TRANSFER AGENT

CIBC Mellon Trust Company
Telephone (403) 232-2400

OFFICE ADDRESS

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